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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2007

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File Number: 001-33549

Care Investment Trust Inc.

(Exact name of Registrant as specified in its charter)

Maryland	**38-3754322**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

505 Fifth Avenue, 6th Floor, New York, New York 10017

(Address of Registrant's principal executive offices)

(212) 771-0505

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of ''large accelerated filer'' and ''accelerated filer'' in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒.

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 under the Securities Exchange Act of 1934. Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

As of November 12, 2007, there were 21,017,588 shares, par value $0.001, of the registrant's common stock outstanding.

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Part I — Financial Information

ITEM 1. Financial Statements

Care Investment Trust Inc.

Consolidated Balance Sheet — Unaudited
(dollars in thousands — except share and per share data)

	September 30, 2007
Assets:	
Cash and cash equivalents	$ 23,919
Investments in loans (Note 3)	271,990
Accrued interest receivable	2,336
Other assets	2,475
Total Assets	**$ 300,720**
Liabilities and Stockholders' Equity	
Liabilities:	
Accounts payable and accrued expenses	$ 2,026
Accrued expenses payable to related party (Note 5)	3,564
Other liabilities	1,924
Total Liabilities	**7,514**
Commitments and Contingencies (Note 9)	
Stockholders' Equity:	
Common stock: $0.001 par value, 250,000,000 shares authorized, issued and outstanding: 21,012,373	21
Additional paid-in-capital	298,368
Accumulated deficit	(5,183)
Total Stockholders' Equity	293,206
Total Liabilities and Stockholders' Equity	**$ 300,720**

See Notes to Consolidated Financial Statements.

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Care Investment Trust Inc.

Consolidated Statements of Operations (Unaudited)
(dollars in thousands — except share and per share data)

	Three Months Ended September 30, 2007	Period from June 22, 2007 (Commencement of Operations) to September 30, 2007
Revenues		
Income from investment in loans	$ 5,907	$ 6,480
Other income	217	220
Total Revenues	6,124	6,700
Expenses		
Management fees to related party	1,279	1,335
Stock-based compensation to Manager	—	9,115
Stock-based compensation – other	142	161
Marketing, general and administrative	989	1,272
Total Expenses	2,410	11,883
Net income (loss)	$ 3,714	$ (5,183)
Income (loss) per share of common stock		
Net income (loss), basic and diluted	$ 0.18	$ (0.25)
Basic and diluted weighted average common shares outstanding	20,864,040	20,864,040

See Notes to Consolidated Financial Statements.

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Care Investment Trust Inc.

Consolidated Statement of Stockholders' Equity (Unaudited)
(dollars in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid in Capital	Accumulated Deficit	Total
Balance at June 22, 2007 (Commencement of Operations)	100	$ *	$ *	$ —	$ *
Proceeds from public offering of common stock	15,000,000	15	224,985	—	225,000
Underwriting and offering costs			(14,730)	—	(14,730)
Issuance of common stock for the acquisition of initial assets from Manager	5,256,250	5	78,838	—	78,843
Stock-based compensation to Manager in common stock pursuant to the Care Investment Trust Inc. Manager Equity Plan	607,690	1	9,114	—	9,115
Stock-based compensation to non-employees in common stock pursuant to the Care Investment Trust Inc. Equity Plan	148,333	*	2,225	—	2,225
Unamortized portion of unvested common stock issued pursuant to the Care Investment Trust Inc. Equity Plan	—	—	(2,064)	—	(2,064)
Net loss for the period from June 22, 2007 (Commencement of Operations) to September 30, 2007	—	—	—	(5,183)	(5,183)
Balance at September 30, 2007	21,012,373	$ 21	$ 298,368	$ (5,183)	$ 293,206

* Less than $500

See Notes to Consolidated Financial Statements.

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Care Investment Trust Inc.

Consolidating Statement of Cash Flows (Unaudited)
(dollars in thousands)

	Period from June 22, 2007 (Commencement of Operations) to September 30, 2007
Cash Flow From Operating Activities	
Net loss:	$ (5,183)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Amortization of premium paid on investments in loans	268
Stock-based compensation to Manager	9,115
Stock-based non-employee compensation	161
Amortization of fees	(72)
Net gain on prepayment of loan	(65)
Changes in operating assets and liabilities:	
Accrued interest receivable	(2,336)
Other assets	(2,475)
Accounts payable and accrued expenses	5,590
Other liabilities	1,924
Net cash provided by operating activities	6,927
Cash Flow From Investing Activities	
Purchase of initial assets from Manager	(204,272)
Loan repayments	27,558
Loan investments	(16,564)
Net cash used for investing activities	(193,278)
Cash Flow From Financing Activities	
Proceeds from sale of common stock	225,000
Underwriting and offering costs	(14,730)
Net cash provided by financing activities	210,270
Net increase in cash and cash equivalents	23,919
Cash and cash equivalents, beginning of period	*
Cash and cash equivalents, end of period	$ 23,919
Supplementary non-cash investing activity	
Issuance of common stock to Manager to purchase initial assets (Note 5)	$ 78,843

* Less than $500

See Notes to Consolidated Financial Statements.

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Care Investment Trust Inc. — Notes to Consolidated Financial Statements (Unaudited)

September 30, 2007

Note 1 — Organization

Care Investment Trust Inc., a Maryland corporation (''we,'' ''Care'' or the ''Company''), was organized in Maryland on March 26, 2007, as a real estate and finance company formed principally to invest in healthcare-related commercial mortgage debt and real estate. The Company was formed, and is externally managed by, CIT Healthcare LLC (''CIT Healthcare'' or the ''Manager''), a wholly-owned subsidiary of CIT Group Inc. (''CIT'') to leverage the Manager's expertise and relationships in the healthcare marketplace. In its capacity as Manager, CIT Healthcare identifies assets for acquisition and performs loan origination, servicing and other activities on behalf of the Company.

Care provides financing to companies operating a full range of healthcare-related facilities, including skilled nursing facilities, hospitals, outpatient centers, surgery centers, senior housing, assisted living facilities, independent living facilities, continuing care retirement communities, medical office buildings, laboratories and other healthcare facilities. We provide mortgage financing secured by these healthcare facilities, including first lien mortgage loans, mezzanine loans, B notes and construction loans. Additionally, the Company intends to invest in healthcare real estate assets that are consistent with our investment guidelines, such as acquisitions of healthcare facilities.

Care intends to qualify as a real estate investment trust, or ''REIT'' under the Internal Revenue Code commencing with our taxable year ending December 31, 2007. To maintain our tax status as a REIT, we plan to distribute at least 90% of our taxable income to our stockholders.

On June 22, 2007 (commencement of operations), the Company acquired a portfolio of healthcare-related mortgage assets from the Manager with a fair value of approximately $283.1 million. Care received approximately $210.3 million (after underwriting discounts and other expenses related to the offering) from the closing of its initial public offering of its common stock on June 27, 2007 and utilized approximately $204.3 million as partial payment to purchase the initial assets from the Manager. The remainder of the purchase price was paid via the issuance of $78.8 million in common shares to the Manager.

On September 17, 2007, Care formed a wholly owned subsidiary, Care QRS 2007 RE Holdings Corp. (''Care QRS''). Care QRS has not elected to be treated as a taxable entity and it is anticipated that Care QRS will be operated in a manner to maintain its non-taxable status. Care is the sole shareholder and is the manager of Care QRS. Care has the responsibility and discretion in the management and control of Care QRS, accordingly, we consolidate the accounts of Care QRS.

On September 17, 2007, Care QRS formed a wholly owned subsidiary, Care Mezz QRS 2007 RE Holdings Corp. (''Care Mezz''). Care Mezz has not elected to be treated as a taxable entity and it is anticipated that Care Mezz will be operated in a manner to maintain its non-taxable status. Care QRS is the sole shareholder and Care is the manager of Care Mezz. Care has the responsibility and discretion in the management and control of Care Mezz, accordingly, we consolidate the accounts of Care Mezz.

At present, Care does not have any taxable REIT subsidiaries (''TRS''), but in the normal course of business expects to form such subsidiaries as necessary.

Basis of Quarterly Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (''GAAP'') for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by GAAP for complete financial statements. Financial statements in this Form 10-Q are unaudited, but in the

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opinion of management include all adjustments, consisting only of normal recurring adjustments, considered necessary for fair presentation. Results of operations for interim periods are not necessarily representative of results expected for the full year.

Note 2 — Significant Accounting Policies

Segment Reporting

Statement of Financial Accounting Standards (''SFAS'') No. 131, *Disclosure about Segments of an Enterprise and Related Information*, establishes standards for the way that public entities report information about operating segments in the financial statements. We are a REIT focused on originating and acquiring healthcare-related commercial mortgage debt and real estate and currently operate in only one reportable segment.

Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Included in cash and cash equivalents at September 30, 2007 are approximately $1.2 million in security deposits maintained in an unrestricted account.

Loans and Investments

We have the intent and ability to hold our investments in loans to maturity in accordance with SFAS No. 65 *Accounting for Certain Mortgage Banking Activities*. Such loans are classified as held for investment and are carried at cost, net of unamortized up-front loan fees, acquisition premium and acquisition costs, unless such loans or investments are deemed to be impaired. At such time as we invest in preferred equity interests that allow us to participate in a percentage of the underlying property's cash flows from operations and proceeds from a sale or refinancing, we must determine whether such investment should be accounted for as a loan, joint venture or as real estate at the inception or the investment. Care did not own any preferred equity investments at September 30, 2007.

The expense for credit losses in connection with loan investments is a charge to earnings to increase the allowance for possible credit losses to the level that management estimates to be adequate to cover probable losses considering delinquencies, loss experience and collateral quality. Impairment losses are taken for impaired loans based on the fair value of collateral on an individual loan basis. The fair value of the collateral may be determined by an evaluation of operating cash flow from the property during the projected holding period, and estimated sales value computed by applying an expected capitalization rate to the stabilized net operating income of the specific property, less selling costs. Alternatively, for construction loans, the fair value of the collateral may be determined based on the estimated cost to complete and projected sales value of the property. Whichever method is used, other factors considered relate to geographic trends and project diversification, the size of the portfolio and current economic conditions. Based upon these factors, we will establish an allowance for probable credit losses. When it is probable that we will be unable to collect all amounts contractually due, the loan is considered impaired.

Where impairment is indicated, an impairment charge is recorded based upon the excess of the recorded investment amount over the net fair value of the collateral, as reduced by selling costs. As of September 30, 2007, we had no impaired loans and no allowance for credit losses.

Revenue Recognition

Interest income on investments in loans is recognized over the life of the investment on the accrual basis. Fees received in connection with loans are recognized over the term of the loan as an adjustment to yield. Anticipated exit fees whose collection is expected will also be recognized over the term of the loan as an adjustment to yield. Unamortized fees are recognized when the associated loan investment is repaid before maturity on the date of such repayment. Premium and discount on purchased loans are amortized or accreted on the effective yield method over the remaining terms of the loans.

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Income recognition will generally be suspended for loan investments at the earlier of the date at which payments become 90 days past due or when, in our opinion, a full recovery of income and principal becomes doubtful. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Deferred Financing Costs

Deferred financing costs represent commitment fees, legal and other third party costs associated with obtaining commitments for financing which result in a closing of such financing. These costs are amortized over the terms of the respective agreements on the effective interest method and the amortization is reflected in interest expense. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Costs incurred in seeking financing transactions which do not close are expensed in the period in which it is determined that the financing will not close.

Stock-based Compensation Plans

We have two stock-based compensation plans, described more fully in Note 7. We account for the plans using the fair value recognition provisions of SFAS No. 123R, *Accounting for Stock-Based Compensation.* SFAS No. 123R requires that compensation cost for stock-based compensation be recognized ratably over the benefit period of the award. Because all of our stock-based compensation is issued to non-employees, the amount of compensation is to be adjusted in each subsequent reporting period based on the fair value of the award at the end of the reporting period until such time as the award has vested or the service being provided is substantially completed or, under certain circumstances, likely to be completed, whichever occurs first.

Derivative Instruments

We account for derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted. In the normal course of business, we may use a variety of derivative instruments to manage, or hedge, interest rate risk. We will require that hedging derivative instruments be effective in reducing the interest rate risk exposure they are designated to hedge. This effectiveness is essential for qualifying for hedge accounting. Some derivative instruments may be associated with an anticipated transaction. In those cases, hedge effectiveness criteria also require that it be probable that the underlying transaction will occur. Instruments that meet these hedging criteria will be formally designated as hedges at the inception of the derivative contract.

To determine the fair value of derivative instruments, we may use a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. For the majority of financial instruments including most derivatives, long-term investments and long-term debt, standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, replacement cost, and termination cost are likely to be used to determine fair value. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized.

In the normal course of business, we are exposed to the effect of interest rate changes and limit these risks by following established risk management policies and procedures, which may include the use of derivatives. To address exposure to interest rates, we may use derivatives primarily to hedge the mark-to-market risk of our liabilities with respect to certain of our assets.

We may use a variety of commonly used derivative products that are considered ''plain vanilla'' derivatives. These derivatives typically include interest rate swaps, caps, collars and floors. We expressly prohibit the use of unconventional derivative instruments and using derivative instruments for trading or speculative purposes. Further, we have a policy of only entering into contracts with major financial institutions based upon their credit ratings and other factors, so we do not anticipate nonperformance by any of our counterparties.

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We may employ swaps, forwards or purchased options to hedge qualifying forecasted transactions. Gains and losses related to these transactions are deferred and recognized in net income as interest expense in the same period or periods that the underlying transaction occurs, expires or is otherwise terminated.

Hedges that are reported at fair value and presented on the balance sheet could be characterized as either cash flow hedges or fair value hedges. For derivative instruments not designated as hedging instruments, the gain or loss resulting from the change in the estimated fair value of the derivative instruments will be recognized in current earnings during the period of change.

As of September 30, 2007, Care held no derivative instruments.

Income Taxes

We intend to elect to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code beginning with our taxable year ending December 31, 2007. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our ordinary taxable income to stockholders. As a REIT, we generally will not be subject to federal income tax on taxable income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will then be subject to federal income tax on our taxable income at regular corporate rates and we will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distributions to stockholders. However, we believe that we will operate in such a manner as to qualify for treatment as a REIT and we intend to operate in the foreseeable future in such a manner so that we will qualify as a REIT for federal income tax purposes. We may, however, be subject to certain state and local taxes.

Underwriting Commissions and Costs

Underwriting commissions and costs incurred in connection with our initial public offering are reflected as a reduction of additional paid-in-capital.

Organization Costs

Costs incurred to organize Care have been expensed as incurred.

Earnings per Share

We present basic earnings per share or EPS in accordance with SFAS No. 128, *Earnings per Share*. We also present diluted EPS, when diluted EPS is lower than basic EPS. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, where such exercise or conversion would result in a lower EPS amount. At September 30, 2007, diluted EPS was the same as basic EPS because all outstanding restricted stock awards were anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, loan investments and interest receivable. We may place our cash investments in excess of insured amounts with high quality financial institutions. We perform ongoing analysis of